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Summary:

West Tisbury Town, Massachusetts; General Obligation

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Summary:

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Credit Profile

US\$2.495 mil GO bnds (Police Sta Bnd) ser 2014 due 05/20/2034

Long Term Rating

AA+/Stable

New

West Tisbury Twn GO

Long Term Rating

AA+/Stable

Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AA+' rating and stable outlook to West Tisbury Town, Mass.' series 2014 general obligation (GO) police station bonds and affirmed its 'AA+' rating, with a stable outlook, on the town's existing GO debt based on Standard & Poor's local GO criteria, published Sept. 12, 2013, on RatingsDirect.

The town's full-faith-and-credit pledge secures the bonds. Officials intend to use bond proceeds to repay previously issued bond anticipation notes (BANs) outstanding issued for the construction of a new police station.

The rating reflects our opinion of the following factors for West Tisbury, specifically its:

- Very strong tourism-based economy in affluent Martha's Vineyard, albeit not tied to a broad and diverse regional economy;
- Very strong budgetary flexibility with fiscal 2013 available reserves of 11% of general fund expenditures and 3% of unused levy capacity, providing additional operating flexibility;
- Strong budgetary performance due to conservative budgetary assumptions and a very stable and consistent revenue profile;
- Very strong liquidity, providing very strong cash to cover debt service and expenditures;
- Strong management conditions, led by "good" financial management policies under our Financial Management Assessment (FMA) methodology, coupled with an experienced treasurer and accountant; and
- Very strong debt and contingent liabilities position.

Very strong economy

West Tisbury is a 26-square-mile town on the island of Martha's Vineyard. The population in this predominantly residential community increases in the summer to an estimate of more than 6,800 compared with a year-round population estimate of 2,766. We do not consider West Tisbury tied to any broad and diverse economy. Nevertheless, income and wealth are very high. The town maintains a modest employment base that largely centers on tourism. Projected per capita effective buying income is 150.3% of the national level. Dukes County unemployment averaged 7.3% in 2013.

Assessed value (AV) totals \$2.3 billion in fiscal 2014. Market value is \$846,000 per capita in fiscal 2014, reflecting the wealth of its property tax base. The tax base is almost entirely residential, resulting in little taxpayer concentration.

The 10 leading taxpayers account for less than 10% of total AV; all 10 are residential properties. West Tisbury has many homes with extremely high values, many of which are valued at more than \$1 million. We understand some property AV is, in our opinion, as high as \$45 million. While we acknowledge AV has decreased by 11% since fiscal 2008, we are seeing signs that real estate values are stabilizing. Based on our regional forecasts, recent data indicate median home prices are improving.

Very strong budget flexibility

In our opinion, West Tisbury's finances have remained very strong over the past few fiscal years. The town maintains a policy that limits available reserves to 10% of expenditures. For fiscal 2012, audited reserves, unassigned and assigned general fund balance, closed with a balance of \$17 million, or 11% of expenditures. The fiscal 2013 balance was slightly down from fiscal 2012 due to one-time capital spending from reserves. For fiscal 2014, West Tisbury expects reserves to remain in-line with current levels.

Strong budgetary performance

In our view, overall budgetary performance has been strong. West Tisbury closed audited fiscal 2013 with a slight general fund decrease of \$119,000, or 0.8% of expenditures. The town realized a surplus across all total governmental funds after adjusting for capital spent from bond proceeds in the library, public safety, and road construction funds.

For fiscal 2014, officials are projecting a general fund surplus. We believe the town's revenue profile is very stable. Property taxes generate about 83% of general fund revenue while state aid accounts for 8.6%. Revenue collections have been, what we consider, strong. Expenditures have traditionally fared well compared with budgeted levels. Education is the leading expenditure and largest cost driver with an effect on the budget. West Tisbury, however, still maintains about \$572,000 of unused levy capacity, providing operating flexibility to fund future budget growth without an effect on budgetary performance. The fiscal 2014 budget totals \$14.9 million, an increase of 2.2% over the fiscal 2013 budget.

Very strong liquidity

Supporting West Tisbury's finances is, what we consider, very strong liquidity with total government available cash of 14.1% of total governmental funds expenditures and 220% of debt service. West Tisbury's maintenance of, what we view as, strong access to external liquidity further enhances our view of the town's liquidity.

The town is a regular market participant since it has issued bonds frequently over the past several years, including GO bonds and short-term BANs. In fiscal 2012, West Tisbury borrowed \$1.5 million of revenue anticipation notes (RANs) following a regionwide delay in setting tax rates. The town does not believe it will need to issue RANs in fiscal 2014 because it had not issued them for the previous five fiscal years before fiscal 2012.

Strong management conditions

We view West Tisbury's management conditions as strong with "good" financial management practices under our FMA methodology, coupled with a capable and experienced treasurer and accountant. A "good" FMA indicates that financial practices exist in most areas but that governance officials might not formalize or regularly monitor all of them.

West Tisbury maintains basic policies for several areas of financial management, including debt. Management is generally, what we regard as, very conservative with its budget estimates; it monitors budgetary performance monthly

with department heads. The town provides its selectman with monthly consolidated reports, ensuring timely budgetary amendments. West Tisbury maintains a formal policy limiting reserves to 10% of expenditures, a level it has adhered to traditionally. The town performs some budget forecasting, and it maintains a five-year capital budget that it prioritizes and funds with identified funding sources.

Very strong debt and contingent liabilities profile

Following this bond issue, West Tisbury has roughly \$9.9 million of total direct debt outstanding. Total governmental funds debt service is 6.4% of total governmental funds expenditures, and net direct debt is 61.9% of total governmental funds revenue. Overall net debt of, what we consider, a very low 0.5% of market value and officials planning to retire roughly 68% of principal over 10 years bolster our view of West Tisbury's debt profile.

In our opinion, West Tisbury's pension and other postemployment benefits (OPEB) liabilities remain manageable. We understand pension and OPEB costs increased to about 3.3% of total governmental funds expenditures in fiscal 2013. West Tisbury participates in the Dukes County Retirement System. The system was 67% funded as of the last actuarial valuation in 2011. The town's share of the unfunded liability is about \$2.2 million. The town's pension payment was budgeted at about \$326,000, or 2% of expenditures, in fiscal 2013.

West Tisbury's latest valuation of its OPEB shows a \$5.3 million unfunded liability with an annual required contribution of \$446,000, or about 3% of the budget. We recognize the town has made changes to benefits that will result in a reduced OPEB liability. Furthermore, over the past several fiscal years, management has been building up reserves toward this OPEB liability; it transferred those funds into the Dukes County Pooled OPEB Trust Fund in fiscal 2013. In fiscal 2013, West Tisbury voted to appropriate an additional \$175,000 into the trust, which again affirmed its commitment to funding the OPEB liability. To date, the town's contribution to the OPEB trust fund is \$1.01 million.

Strong Institutional Framework

We consider the Institutional Framework score for Massachusetts towns strong.

Outlook

The stable outlook reflects Standard & Poor's opinion that West Tisbury will likely continue to manage well throughout the modest recovery. In our opinion, the town's stable revenue profile, good management, and unused levy capacity should translate to budgetary performance and budgetary flexibility remaining strong. For these reasons, we do not expect to change the rating during the two-year outlook period.

Related Criteria And Research

Related Criteria

USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013

Related Research

- U.S. State And Local Government Credit Conditions Forecast, April 7, 2014
- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Massachusetts Local Governments

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